



Health Care Financing Notes

Medicare: Use of Skilled Nursing Facilities, 1980

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Purpose and Scope

This Note presents data on the use of skilled nursing facility (SNF) benefits under Medicare in 1980. The data for 1980 are presented against the background of trends since 1969. This Note provides data on the number of covered days of care, covered charges and reimbursements from 1969 through 1980 (Table 1). Similar data are shown by State of residence of aged beneficiaries using SNF services during 1980 (Table 2). State data are shown only for the aged since they accounted for 96 percent of the total amount reimbursed by Medicare for SNF services in 1980. The remaining benefits were for disabled enrollees less than 65 years of age who were entitled to cash benefits for at least 24 consecutive months under the disability insurance program and to certain persons with end-stage renal disease. ^{1/} Medicare coverage to the disabled began July 1, 1973.

Relationship of Skilled Nursing Facility Coverage to the Medicare Program

In order to receive payment from Medicare, a SNF must be certified as possessing the staff and equipment to provide skilled nursing or rehabilitation

This Note is one of a series prepared in the Office of Research, Judith R. Lave, Director, to provide a description and analysis of the use and costs of health care benefits furnished to the beneficiaries of the Medicare and Medicaid programs administered by the Health Care Financing Administration. It was written under the administrative supervision of Allen Dobson, Director, Division of Beneficiary Studies. The statistical files from which the data were obtained were created and maintained by Larry Chrest of the Bureau of Data Management and Strategy, HCFA.

^{1/}The Social Security Disability Amendments of 1980 (P.L. 96-265) removed the consecutive months requirement. Beginning December 1980, months from previous periods of disability benefit entitlement (including months prior to December 1980) may be counted in determining when the 24-month qualifying period requirement is met provided the current onset begins within certain time limits following the earlier period of entitlement.

services as well as other related services. In addition, the facility must have a transfer agreement with one or more hospitals participating in the program.

SNF coverage for Medicare enrollees under the program's hospital insurance (HI) program is limited to 100 days of SNF care in a benefit period. The program pays in full for the first 20 days of a covered stay in a SNF. In 1980 Medicare enrollees were responsible for a \$22.50 per day SNF coinsurance payment for the 21st through the 100th day of care. In contrast, Medicaid has no limit on days of SNF care or coinsurance requirements. Medicare enrollees also eligible for Medicaid have paid on their behalf the SNF Medicare coinsurance amounts and charges for SNF stays beyond 100 days.

SNF services to eligible persons are reimbursed under Medicare's hospital insurance (HI) program if all of the following five conditions are met:

- (1) the patient was in a hospital at least three consecutive days (not counting the day of discharge) before transfer to a certified SNF,
- (2) transfer to the SNF is required for the continued care of the condition which was treated in the hospital, (3) admission to the SNF takes place within 30 days of discharge from the hospital, 2/ (4) a physician certifies to the patient's need for and the patient receives skilled nursing and/or skilled rehabilitation services on a daily basis, and (5) the facility's utilization review committee or the local Professional Standards Review Organization does not disapprove the stay.

2/The 30 day limit was instituted by enactment of the Omnibus Reconciliation Act of 1980 (P.L. 96-499) in December 1980. Prior to that, transfer had to take place within 14 days although an additional 14 days could be allowed if the patient could not be admitted to a SNF because of a shortage of SNF beds in the geographic area or the patient's condition made it medically inappropriate to begin an active course of treatment in the SNF.

Relationship of Medicare and Medicaid Skilled Nursing Facility Benefits

Based on bills processed through June 1981 for services furnished in calendar 1980, total Medicare reimbursements were approximately \$33.4 billion. As shown in this Note, Medicare reimbursements for SNF services to aged and disabled enrollees were about \$341.1 million, or about 1.0 percent of the total.^{3/} In contrast, total Medicaid expenditures for nursing home services (which include payments for skilled nursing and intermediate care facilities) in fiscal year 1980 were \$9.9 billion, or about 43 percent of total Medicaid reimbursements of \$23.3 billion. The differences between the Medicare and Medicaid programs in payment for nursing home services is even more striking when attention is fixed solely on persons 65 years and over, the group with the largest use of nursing home services.

Medicare payments for SNF services to the aged in calendar year 1980 were, as of June 1981, about \$328 million out of a total of \$29.0 billion for all covered services to the aged, or 1.1 percent. Medicaid expenditures for nursing home services to the aged, in fiscal year 1979 (the latest year for which data for the aged are available), were almost \$4 billion out of total expenditures of about \$7.7 billion--or 54 percent of the total. Clearly,

^{3/}Both reimbursement amounts will be greater as later bills are processed and retroactive adjustments to providers are made upon audit of cost reports (see Sources and Limitations of the Data). However, the percentage is expected to remain about the same. SNF reimbursement has been below 2 percent of total Medicare reimbursements since 1975 and has continued decreasing as a proportion of total program expenses.

Medicaid is the dominant public source of payments for nursing home services to the aged.^{4/}

The limited role of the Medicare program in covering the cost of nursing home services derives from the program's focus on meeting the cost of episodes of illness. The skilled nursing care benefit is conceived as a post-hospital extension of care for recovery from an illness when continuous medical care in a hospital is no longer required. The Medicare program's limits on meeting the institutional costs required for the treatment of an acute illness in contrast to the care required for long-term disabilities is embodied in the concept of the "benefit period". A benefit period begins when the patient is admitted to a hospital and ends when a patient has been out of a hospital or a skilled nursing facility for 60 consecutive days. In contrast, the Medicaid program permits coverage of a patient's care in skilled nursing and intermediate care facilities for an indefinite period as long as the level of care requirements are met.

Highlights of the data follow:

Use and Cost of Skilled Nursing Facilities, 1969-1980

Aged (Table 1)

- . The aged used 17.6 million covered days of SNF care in 1969, but, because of regulations issued in 1969 which tightened the criteria for Medicare coverage of SNF services, the number of covered SNF days used

^{4/}Computations based on 1977 data indicate that private out-of-pocket payments by or on behalf of the aged constituted half of all payments to nursing homes for services to the aged. See "Medicare Summary: Use and Reimbursement by Person, 1976-1978," Health Care Financing Administration.

by the aged dropped to 6.6 million by 1972. Between 1972 and 1976, the covered days of SNF care used by aged increased to 9.4 million, but has been declining since. By 1980, only 7.8 million covered SNF days were used by the aged. Thus, from the interim highpoint in 1976, total use has been declining at an average annual rate of 4.9 percent.

- . Covered SNF days of care per 1000 enrolled fell from 878 in 1969 to 314 in 1972. After rising to 410 per 1,000 by 1976, the decline resumed and the SNF use rate fell to 309 days per 1000 enrollees by 1980, an average annual decrease of 7.3 percent.
- . Covered charges for SNF services to the aged decreased from \$432 million in 1969 to \$212 million in 1972. After 1972, charges increased until they reached \$554 million in 1980. Between 1972 and 1980, the average annual increase of covered charges was 12.8 percent per year.
- . Covered charges per day in SNFs increased from \$25 to \$71 in the 1969-1980 period, an average annual increase of 10.0 percent.
- . Reimbursements for SNF services to the aged were \$335 million in 1969, and fell to \$164 million in 1972. Reimbursements increased since 1972 at an average annual rate of about 9 percent and were \$328 million in 1980. SNF reimbursements have represented a decreasing proportion of total Medicare reimbursements to the aged, falling from 5.3 percent in 1969 to 1.1 percent in 1980.
- . For the 1969-1980 period SNF reimbursements declined at an overall annual rate of 0.2 percent, but between 1972 and 1980, reimbursements increased at an average annual rate of 9.1 percent.

- . Reimbursements as a percent of covered charges fell from 77.5 percent in 1969 to 59.2 percent in 1980, an average annual decline of 2.4 percent. The decline indicates that covered charges have been rising faster than the reasonable (allowed) costs upon which Medicare reimbursements are based. This may reflect, in part, the provisions of the 1972 Amendments to the Social Security Act which mandated that Medicare would pay for services at the lesser of reasonable costs or customary charges. This led to broad increases in the charge schedule for many SNF services in subsequent years.
- . Reimbursements for SNF services to aged hospital insurance enrollees fell from \$16.74 per enrollee in 1969 to \$7.77 per enrollee in 1972 and rose after that to \$13.07 per enrollee in 1980. Between 1972 and 1980, the average annual increase was 6.7 percent.
- . Reimbursement per day of SNF care increased from \$19 to \$42 between 1969 and 1980, an average annual increase of 7.5 percent.
- . In 1980, the aged used 96.4 percent of all the days of SNF care covered by Medicare.

Disabled (Table 1)

- . Covered days of care for the disabled increased from 277,000 in 1974 (the first full calendar year of coverage of the disabled) to 287,000 in 1980, an annual increase of 0.6 percent.
- . Covered days of care per 1000 enrollees declined an average of 6.4 percent a year from 144 to 97 in the 1974-1980 period. Covered days per 1,000 enrollees among the disabled were about thirty-one percent of that of the aged in 1980.

- . Covered charges increased from \$11.8 million to \$23.1 million between 1974 and 1980, an average annual increase of 11.9 percent.
- . Covered charges per day increased from \$43 to \$80 in the same period or an annual rate of increase of 10.9 percent. Covered charges per day of the disabled have consistently exceeded that of the aged, suggesting greater intensity in the use of SNF services.
- . Reimbursements as a percent of covered charges declined from 70.4 percent in 1974 to 56.5 percent in 1980, a decline of 3.6 percent annually.
- . Reimbursements for SNF care represented less than 1 percent of total reimbursements for the disabled in each of the years from 1974 to 1980.
- . Reimbursements per enrollee increased an average of 0.4 percent a year, from \$4.30 in 1974 to \$4.41 in 1980.
- . Reimbursement per day increased at an annual average of 7.0 percent or from \$30 in 1974 to \$45 in 1980.

Use and Cost of SNF Services by State of Residence, 1980 (Table 2)

State differences in use of SNF services focus on the use by the aged since, as stated earlier, 96.4 percent of the SNF days of care covered by Medicare were used by the aged.

- . By State, use of SNFs varied considerably. California (with about 9 percent of the Medicare HI population) had the highest number of covered

days of care, 772,000, or 10 percent of all covered days in SNFs. In contrast, Alaska, with only four participating SNFs, recorded about one thousand days of care.

- . Kentucky (717) and Hawaii (620) had the highest number of covered days per 1,000 aged HI enrollees. No other State had over 600 covered days per 1,000 aged HI enrollees.
- . Mississippi (33), Arkansas (43), Texas (80), New Mexico (92), and Alaska (94) were the only States with less than 100 covered SNF days per 1,000 aged HI enrollees.

There were large variations in rates of use and reimbursement for SNF services by region.

- . Covered days of care per 1,000 enrollees were 361 in the North Central States and 281 in the South.
- . For all other rates discussed in this Note, rates were highest in the West and lowest in the South.
- .. Covered charges per day were \$80 in the West and \$63 in the South.
- .. Reimbursement as a percent of covered charges was 65.7 in the West and 56.2 in the South.
- .. Reimbursement per enrollee was \$16.76 in the West and \$9.86 in the South, and
- .. Reimbursement per day was \$52 in the West and \$35 in the South.

Source and Limitations of the Data

Data in this report are derived from a 100 percent count of billing forms submitted by participating SNFs for reimbursable inpatient SNF services. Data are based on records processed and recorded as of June 1981. As a result, figures recorded in recent years are slightly less complete than those of earlier years.

Payments under the HI program which are shown in this Note are based on interim reimbursement rates reported on processed bills. The interim rates are established to reflect current costs as closely as possible. These are usually established as a per diem amount or as a percentage of total charges. Figures shown exclude amounts for which the patient is responsible such as deductibles, coinsurance, and charges for noncovered services. The final amount of reimbursement due under Medicare to each provider of medical services is determined after the end of the fiscal year on the basis of the providers audited reasonable cost of operations. It is estimated that the totals shown for the covered days of care and reimbursements in this report are approximately 95 percent of the eventual totals. Thus, the rates and averages shown may be less than would prevail were complete data available. Thus, comparisons of rates should be taken as indicative of differences by relevant characteristics rather than as final measures of the rates themselves.

TABLE 1

USE OF SKILLED NURSING FACILITY SERVICES BY AGED AND DISABLED ENROLLEES, COVERED DAYS OF CARE, COVERED CHARGES, AND REIMBURSEMENTS
BY PERIOD EXPENSE INCURRED, 1969-1980 1/

(COVERED DAYS OF CARE, COVERED CHARGES, AND REIMBURSEMENTS IN THOUSANDS)

PERIOD INCURRED	NUMBER	COVERED DAYS OF CARE			COVERED CHARGES			REIMBURSEMENTS			
		PER 1,000 ENROLLED	AMOUNT	PER DAY	TOTAL MEDICARE	SKILLED NURSING FACILITY	PERCENT OF COVERED CHARGES	PERCENT OF TOTAL MEDICARE REIMBURSEMENTS	PER ENROLLEE	PER DAY	
ALL ENROLLEES 2/											
1969	17,572	878	\$432,179	\$25	\$ 6,284,009	\$335,037	77.5	5.3	\$16.74	\$19	
1970	10,697	525	295,089	28	6,772,423	225,561	76.4	3.3	11.08	21	
1971	7,481	361	229,912	31	7,486,953	178,703	77.7	2.4	8.62	24	
1972	6,628	314	212,084	32	8,216,488	164,085	77.3	2.0	7.77	25	
1973 2/	8,629	370	282,091	33	9,639,206	212,761	75.4	2.2	9.13	25	
1974	8,965	375	334,727	37	11,920,181	245,929	73.5	2.1	10.28	27	
1975	8,874	360	420,305	47	14,746,886	261,058	62.1	1.8	10.59	29	
1976	9,724	384	466,273	48	17,939,487	304,660	65.3	1.7	12.04	31	
1977	9,612	368	497,553	52	21,094,334	312,703	62.8	1.5	11.98	33	
1978	8,936	334	513,536	57	24,402,774	315,810	61.5	1.3	11.79	35	
1979	8,294	302	535,718	65	28,267,017	323,721	60.4	1.1	11.79	39	
1980	8,045	287	577,083	72	33,389,374	341,141	59.1	1.0	12.15	42	
ANNUAL RATE OF CHANGE	-6.9	-9.7	2.7	10.1	16.4	0.2	-2.4	-14.1	-2.9	7.5	
AGED											
1969	17,572	878	\$432,179	\$25	\$ 6,284,009	\$335,037	77.5	5.3	\$16.74	\$19	
1970	10,697	525	295,089	28	6,772,423	225,561	76.4	3.3	11.08	21	
1971	7,481	361	229,912	31	7,486,953	178,703	77.7	2.4	8.62	24	
1972	6,628	314	212,084	32	8,216,488	164,085	77.3	2.0	7.77	25	
1973	8,523	395	278,065	33	9,218,271	209,838	75.4	2.3	9.73	25	
1974	8,688	395	322,952	37	10,789,062	237,634	73.5	2.2	10.80	27	
1975	8,585	382	405,547	47	13,178,458	251,506	62.0	1.9	11.19	29	
1976	9,407	410	448,658	48	15,883,884	293,505	65.4	1.8	12.81	31	
1977	9,278	395	477,611	51	18,518,654	300,452	62.9	1.6	12.80	32	
1978	8,622	359	492,828	57	21,272,391	303,294	61.5	1.4	12.65	35	
1979	7,988	325	513,397	64	24,491,108	310,488	60.4	1.3	12.65	39	
1980	7,758	309	554,003	71	28,985,547	328,081	59.2	1.1	13.07	42	
ANNUAL RATE OF CHANGE	-7.2	-9.1	2.3	10.0	14.9	-0.2	2.4	-13.3	-2.2	7.5	
DISABLED											
1974	277	144	\$11,775	\$43	\$1,131,119	\$8,295	70.4	0.7	\$4.30	\$30	
1975	289	133	14,758	51	1,568,428	9,552	64.7	0.6	4.41	33	
1976	317	133	17,615	56	2,055,603	11,155	63.3	0.5	4.66	35	
1977	334	128	19,942	60	2,575,680	12,251	61.4	0.5	4.68	37	
1978	314	112	20,708	66	3,130,383	12,516	60.4	0.4	4.48	40	
1979	306	105	22,321	73	3,775,909	13,233	59.2	0.4	4.55	43	
1980	287	97	23,080	80	4,403,827	13,060	56.5	0.3	4.41	45	
ANNUAL RATE OF CHANGE	0.6	-6.4	11.9	10.9	25.4	7.9	-3.6	-13.2	0.4	7.0	

1/ INCLUDES BILLS RECORDED IN THE HEALTH CARE FINANCING ADMINISTRATION CENTRAL RECORDS THROUGH JUNE 26, 1981.

2/ DATA FOR JULY-DECEMBER 1973, THE START OF COVERAGE FOR THE DISABLED, INCLUDED WITH ALL ENROLLEES BUT NOT SHOWN FOR DISABLED.

TABLE 2

USE OF SKILLED NURSING FACILITY SERVICES BY THE AGED: COVERED DAYS OF CARE, COVERED CHARGES, AND REIMBURSEMENTS BY AREA OF RESIDENCE FOR 1980 FOR EXPENSE INCURRED AS OF JUNE 27, 1981

AREA OF RESIDENCE	COVERED DAYS OF CARE			COVERED CHARGES			REIMBURSEMENTS			
	NUMBER (IN THOUSANDS)	PER 1,000 ENROLLED	AMOUNT (IN THOUSANDS)	AMOUNT (IN THOUSANDS)	PER DAY	AMOUNT (IN THOUSANDS)	PERCENT OF COVERED CHARGES	PER ENROLLEE	PER DAY	
ALL AREAS	7,758	309	554,003	\$328,081	71		59.2	\$13.08	\$42	
UNITED STATES	7,741	314	552,382	327,192	71		59.2	13.29	42	
NORTHEAST	1,812	306	136,395	80,488	75		59.0	13.61	44	
NORTH CENTRAL	2,371	361	170,784	98,853	72		57.8	15.03	42	
SOUTH	2,237	281	139,860	78,597	63		56.2	9.86	35	
WEST	1,320	319	105,319	69,240	80		65.7	16.76	52	
NEW ENGLAND	347	233	27,465	16,868	79		61.4	11.34	49	
CONNECTICUT	74	207	3,948	2,448	53		62.0	6.83	33	
MAINE	25	177	2,515	1,566	101		62.2	11.12	63	
MASSACHUSETTS	120	170	12,103	7,573	101		62.5	10.75	63	
NEW HAMPSHIRE	44	431	3,887	2,205	88		56.7	21.52	50	
RHODE ISLAND	68	552	4,046	2,571	60		63.5	20.89	38	
VERMONT	15	266	966	506	63		52.3	8.74	33	
MIDDLE ATLANTIC	1,466	331	108,931	63,620	74		58.4	14.37	43	
NEW JERSEY	215	256	18,002	11,007	84		61.1	13.10	51	
NEW YORK	531	254	43,907	25,473	83		58.0	12.19	48	
PENNSYLVANIA	720	480	47,022	27,140	65		57.7	18.10	38	
EAST NORTH CENTRAL	1,928	437	133,369	74,896	69		56.1	16.98	39	
ILLINOIS	581	476	45,366	25,604	78		56.4	20.97	44	
INDIANA	203	353	12,590	6,855	62		54.4	11.91	34	
MICHIGAN	447	493	27,355	15,313	61		55.9	16.90	34	
OHIO	610	533	42,300	23,850	69		56.3	20.85	39	
WISCONSIN	87	155	5,758	3,274	66		56.8	5.81	38	
WEST NORTH CENTRAL	443	205	37,415	23,957	84		64.0	11.06	54	
IOWA	78	203	6,778	4,450	87		65.6	11.58	57	
KANSAS	33	110	2,283	1,274	69		55.7	4.23	37	
MINNESOTA	57	119	5,302	3,702	94		69.8	7.80	65	
MISSOURI	169	267	16,380	10,480	97		63.9	16.61	62	
NEBRASKA	51	248	3,695	2,407	73		65.1	11.82	48	
NORTH DAKOTA	44	542	2,201	1,201	50		54.5	14.90	27	
SOUTH DAKOTA	12	134	776	444	64		57.2	4.90	36	

TABLE 2

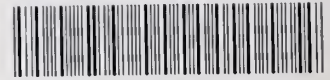
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AREA OF RESIDENCE	COVERED DAYS OF CARE			COVERED CHARGES			REIMBURSEMENTS		
	NUMBER (IN THOUSANDS)	PER 1,000 ENROLLED	AMOUNT (IN THOUSANDS)	AMOUNT (IN THOUSANDS)	PER DAY	PERCENT OF COVERED CHARGES	PER ENROLLEE	PER DAY	
SOUTH ATLANTIC	1,363	333	81,498	46,078	60	56.5	11.27	34	
DELAWARE	17	287	859	482	51	56.1	8.20	29	
DIST OF COLUMBIA	13	188	820	482	65	58.7	7.25	38	
FLORIDA	644	416	39,086	22,406	61	57.3	14.47	35	
GEORGIA	78	160	5,604	3,458	72	61.7	7.14	45	
MARYLAND	116	311	6,689	3,992	58	59.6	10.69	34	
NORTH CAROLINA	228	396	12,107	6,574	53	54.3	11.40	29	
SOUTH CAROLINA	91	337	4,312	2,283	47	52.9	8.42	25	
VIRGINIA	128	265	8,862	4,698	69	53.0	9.76	37	
WEST VIRGINIA	48	211	3,159	1,703	66	53.9	7.45	35	
EAST SOUTH CENTRAL	658	419	37,503	19,235	57	51.2	12.25	29	
ALABAMA	197	474	7,689	3,946	39	51.3	9.48	20	
KENTUCKY	281	717	16,666	8,793	59	52.7	22.44	31	
MISSISSIPPI	9	33	942	499	104	52.9	1.84	55	
TENNESSEE	171	348	12,206	5,997	71	49.1	12.21	35	
WEST SOUTH CENTRAL	216	93	20,858	13,284	97	63.6	5.74	62	
ARKANSAS	13	43	1,079	481	84	44.6	1.62	37	
LOUISIANA	51	137	4,410	2,718	86	61.6	7.24	53	
OKLAHOMA	49	138	7,133	4,667	146	65.4	13.21	96	
TEXAS	103	80	8,236	5,417	80	65.7	4.20	52	
MOUNTAIN	239	232	15,596	10,510	65	67.3	10.20	44	
ARIZONA	60	205	4,317	3,028	72	70.1	10.40	51	
COLORADO	41	172	3,044	2,091	74	68.6	8.72	51	
IDAHO	24	255	1,129	725	47	64.2	7.72	30	
MONTANA	39	465	1,762	1,082	45	61.4	12.79	28	
NEVADA	27	419	1,803	1,181	67	65.5	18.41	44	
NEW MEXICO	10	92	767	436	75	56.8	3.92	43	
UTAH	33	312	2,579	1,847	77	71.6	17.19	55	
WYOMING	4	105	194	118	49	60.9	3.13	30	
PACIFIC	1,081	348	89,723	58,730	83	65.4	18.93	54	
ALASKA	1	94	128	88	125	68.9	8.05	86	
CALIFORNIA	772	336	69,054	45,227	89	65.4	19.68	59	
HAWAII	45	620	3,750	2,325	84	62.0	32.24	52	
OREGON	133	443	8,368	5,150	63	61.5	17.22	39	
WASHINGTON	131	310	8,423	5,940	64	70.5	14.08	45	
PUERTO RICO	15	57	1,475	829	99	56.1	3.15	56	

1/ INCLUDES RESIDENCE UNKNOWN, FOREIGN, GUAM, VIRGIN ISLANDS, AND OTHER OUTLYING AREAS.

2/ INCLUDES RESIDENCE UNKNOWN.

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